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From: Rhonda Dulgar [rdulgar@yvlaw.net]
Sent: Monday, July 09, 2007 4:10 PM
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Subject: Electronic Filing - Docket 070052-EI
Attachments: 070052.FRFPrehearingStatement.July09.doc

ORIGINAL

a. Person responsible for this electronic filing:

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b. Docket No. 070052-EI

In Re: Petition by Progress Energy Florida, Inc. to Recover Costs of Crystal River Unit 3 Uprate Through Fuel Clause.

c. Document being filed on behalf of the Florida Retail Federation.

d. There are a total of 6 pages.

e. The document attached for electronic filing is The Florida Retail Federation's Prehearing Statement.

(see attached file:070052.FRFPrehearingStatement.July09.doc)

Thank you for your attention and assistance in this matter.

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DOCUMENT NUMBER-DATE

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FPSC-COMMISSION CLERK

BEFORE THE FLORIDA PUBLIC SERVICE COMMISSION

In re: Petition by Progress Energy Florida, Inc.)
to Recover Costs of Crystal River Unit 3)
Uprate Through Fuel Clause)
_____)

DOCKET NO. 070052-EI
FILED: July 9, 2007

ORIGINAL

THE FLORIDA RETAIL FEDERATION'S PREHEARING STATEMENT

The Florida Retail Federation (FRF), by and through its undersigned attorneys and pursuant to the case schedule established for this docket, hereby files this its Prehearing Statement.

A. APPEARANCES:

ROBERT SCHEFFEL WRIGHT, Young van Assenderp, P.A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301, and

JOHN T. LAVIA, III, Young van Assenderp, P.A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301.

TIMOTHY R. QUALLS, Young van Assenderp, P.A., 225 South Adams Street, Suite 200, Tallahassee, Florida 32301.

On Behalf of the Florida Retail Federation.

B. WITNESSES: None.

C. EXHIBITS: The Florida Retail Federation does not intend to present any exhibits through its own witnesses, but reserves its rights to introduce appropriate exhibits, including deposition transcripts, through the witnesses of other parties to this proceeding.

D. STATEMENT OF BASIC POSITION:

The Commission should deny Progress's petition for recovery of costs associated with the CR3 Uprate Project through the Fuel Clause, through any other cost recovery clause, or through any other means that would allow Progress to realize recovery of such costs before the expiration of its current rate case stipulation. The costs at issue in this case are predominantly, if not entirely, capital costs of a type that is normally recovered through base rates, and accordingly, recovery through the Fuel Clause or any other cost recovery clause is inappropriate.

E. STATEMENT OF ISSUES AND POSITIONS

Preliminary Comment Regarding Issues

The Florida Retail Federation supports the Office of Public Counsel's positions regarding the wording of issues in this case, including specifically the inclusion of the phrase "in lieu of base rate recovery" in Issue 1. With that phrase included in Issue 1 below, the FRF otherwise uses the phrasing of issues proffered by the Commission Staff on Friday, July 6, 2007 in its prehearing statement (pending any rulings on the phrasing of issues by the Prehearing Officer at the Prehearing Conference).

ISSUE 1: Should the Commission authorize clause recovery in lieu of base rates recovery of the prudent and reasonable costs of the following:

A. Phase 1 of PEF's CR3 Uprate Project?

FRF Position:No.

B. Phase 2 of PEF's CR3 Uprate Project?

FRF Position:No.

C. Phase 3 of PEF's CR3 Uprate Project, including:

FRF Position:No.

1. Nuclear Core Modifications, Secondary Systems, and Other Project-related Plant Additions/Modifications?

FRF Position:No.

2. The "point of discharge" cooling solution?

FRF Position:No.

3. Transmission upgrades associated with the CR3 Uprate Project?

FRF Position:No.

4. Other costs associated with phase 3 of the CR3 Uprate Project?

FRF Position: No.

ISSUE 2: If the Commission authorizes clause recovery of the CR3 Uprate Project, which cost recovery clause, fuel or capacity, is appropriate for capitalized costs attributable to the uprate?

FRF Position: The Commission should not authorize clause recovery of the CR3 Uprate Project. If it does, the FRF takes no position on whether any allowed capital costs should be recovered through the Fuel Cost Recovery Clause or the Capacity Cost Recovery Clause.

ISSUE 3: If the Commission authorizes clause recovery of the CR3 Uprate Project, what capital recovery periods should the Commission prescribe for the assets?

FRF Position: Agree with Public Counsel.

ISSUE 4: Based on the recovery periods prescribed for the CR3 Uprate Project assets, what ratemaking adjustments, if any, are necessary?

FRF Position: No adjustments to PEF's rates are appropriate at this time. As to any accounting adjustments that would impact ratemaking treatment at the appropriate time (i.e., after PEF's current rate case stipulation expires), the FRF will agree with Public Counsel.

ISSUE 5: If the Commission authorizes PEF clause recovery of the CR3 Uprate Project, what return on investment should the Commission authorize PEF to include?

FRF Position: The Commission should not authorize clause recovery of the CR3 Uprate Project. If the Commission denies PEF's proposal, as urged by the FRF, OPC, and other consumer intervenors, this issue will become moot. The FRF agrees with Public Counsel that PEF's proposal to earn 11.75% on its investment in assets flowing through the clause overstates its reasonable and prudent costs, because the proposed return contemplates the risk of non-recovery associated with base rate treatment, whereas the clause is virtually risk-free as a result of the true-up process. The FRF further agrees with OPC that, if the Commission were to grant PEF's request for clause treatment, it should authorize a return no greater than PEF's cost of debt.

ISSUE 6: If the Commission authorizes clause recovery of the CR3 Uprate Project, how should the costs associated with the project be allocated between wholesale and retail jurisdictions for rate recovery purposes?

FRF Position: The Commission should not authorize clause recovery of the CR3 Uprate Project. If the Commission does so, it should allocate costs in accord with appropriate wholesale-retail jurisdictional separation factors for CR3. More specifically, the FRF agrees with OPC that whether PEF recovers the costs of the CR3 Uprate through base rates or a cost recovery clause, retail customers should pay for only the portion of the unit that is devoted to retail service.

ISSUE 7: If the Commission authorizes clause recovery of the CR3 Uprate Project, what reports, if any, should PEF be required to file with the Commission?

FRF Position: If the Commission denies PEF's proposal, as advocated by the FRF, OPC, and other consumer intervenors, this issue will become moot. If the Commission authorizes clause recovery, then the Commission should require PEF to file reports at least annually that include complete information on the projected capital and fuel costs of the proposed CR3 Uprate Project.

ISSUE 8: Should this docket be closed?

FRF Position: Yes.

F. STIPULATED ISSUES

The Florida Retail Federation has not stipulated to any issues at this time.

G. PENDING MOTIONS

The Florida Retail Federation has no pending motions requiring the attention of the Prehearing Officer.

H. PENDING REQUESTS OR CLAIMS FOR CONFIDENTIALITY

The Florida Retail Federation has no pending claims or requests for confidential treatment of any information.

I. NOTICE OF INTENT TO USE CONFIDENTIAL INFORMATION

As of the filing of this Prehearing Statement, the FRF does not intend to use confidential documents at hearing.

J. OBJECTIONS TO QUALIFICATIONS OF WITNESSES

Noting that rebuttal testimony is not scheduled to be filed until July 19, the FRF states that, as of the time of filing its prehearing statement, the Florida Retail Federation does not expect to challenge the qualifications of any witness.

K. REQUIREMENTS OF THE ORDER ESTABLISHING PROCEDURE

The Florida Retail Federation is not aware of any applicable procedural requirements with which it cannot comply.

Respectfully submitted this 9th day of July, 2007.

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CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true and correct copy of the foregoing has been furnished by electronic mail and U.S. Mail the 9th day of July 2007, to the following:

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